

**ADEILADU
ARBENIGRWYDD**
Clwb De Ddwyrain Cymru



**CONSTRUCTING
EXCELLENCE**
South East Wales Club

Procurement Choices and Contracting Processes

Cardiff Business School

Monday 15th May 2017



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Welcome

Tony Norris

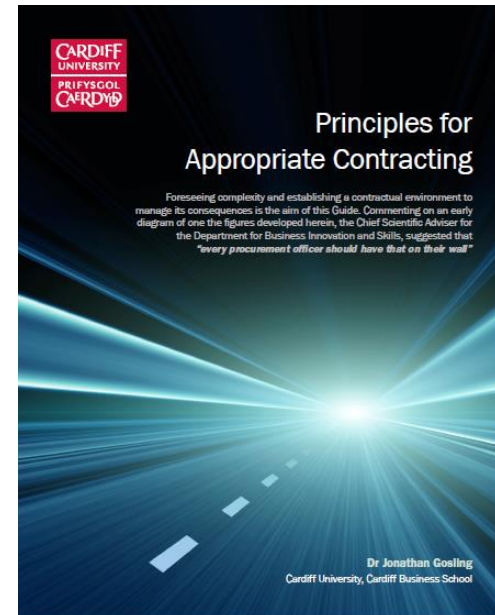
Chair



Procurement Choices and Contracting Processes

*Constructing Excellence in
Wales Event at Cardiff
Business School – Jon Gosling*

Background and Context



IJOPM
37,4

402

Received 27 July 2015
Revised 1 February 2016
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27 June 2016
Accepted 7 August 2016

Extending customer order penetration concepts to engineering designs



Jonathan Gosling
*Logistics Systems Dynamics Group, Cardiff Business School,
Cardiff University, Cardiff, UK*
Bill Hewlett
The Costain Group, Maidenhead, UK, and
Mohamed M. Naim
*Logistics Systems Dynamics Group, Cardiff Business School,
Cardiff University, Cardiff, UK*

'Braiding' the right forms of relational and contractual governance into your processes



Aim of this session

To jointly explore strategic procurement choices and good contracting processes

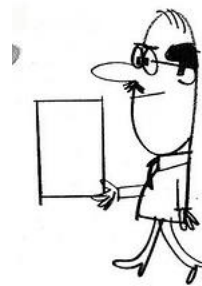
Our Cast:



Consultant



Main
Contractor



Client

THE
CLIENT



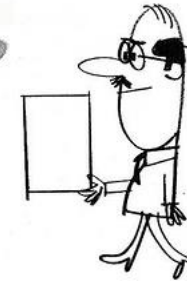
Sub-contractor

Typical Contract Problems

***Make a note of your top 3
problems that you typically
experience with your
contracts?***

“ We need a collaborative climate for contracts ”

Client



THE
CLIENT



“ Foreseeing complexity and setting a contractual environment to manage its consequences is key ”

Main Contractor

“

Problems cascade through contracts

”

Subcontractor



GOVERNANCE ISSUES

RISK ALLOCATION ISSUES

WRONG INCENTIVES

Protocols not clear

Wrong organisation owns risk

Misaligned values, objectives, measures

Lack of Clarity Over Roles

Uncertainty & Capabilities not fully understood

Payment mechanisms encourage wrong behaviour

Scope Creep and Change

Cascading & Interface Risks

Complex Legal Terminology

Poorly defined scope

Engaged too late to influence

Custom Contracts / Z Clauses

SCOPE

SUPPLY CHAIN ISSUES

DRAFTING / CLARITY

Contractual Issues

GOVERNANCE
ISSUES

RISK
ALLOCATION
ISSUES

WRONG
INCENTIVES

Protocols not
clear

Wrong
organisation
owns risk

Misaligned values,
objectives,
measures

Lack of
Clarity
R

Uncertainty &

Payment

1. Understanding risk, uncertainty and engagement in engineering work
2. Aligning governance and procurement choices
3. Embedding good contracting processes

Contractual
Issues

Poorly defined
scope

Engaged too
late to
influence

Custom
Contracts / Z
Clauses

SCOPE

SUPPLY CHAIN
ISSUES

DRAFTING /
CLARITY

Understanding risk, uncertainty and engagement in engineering work



“ Readiness of design, planning constraint, business case development and other factors can combine to give unexpected results ”

Main contractor

“ There is a need for the team to pick the right entry point...with due consideration of the involvement of procurement teams, consultants and contractors ”

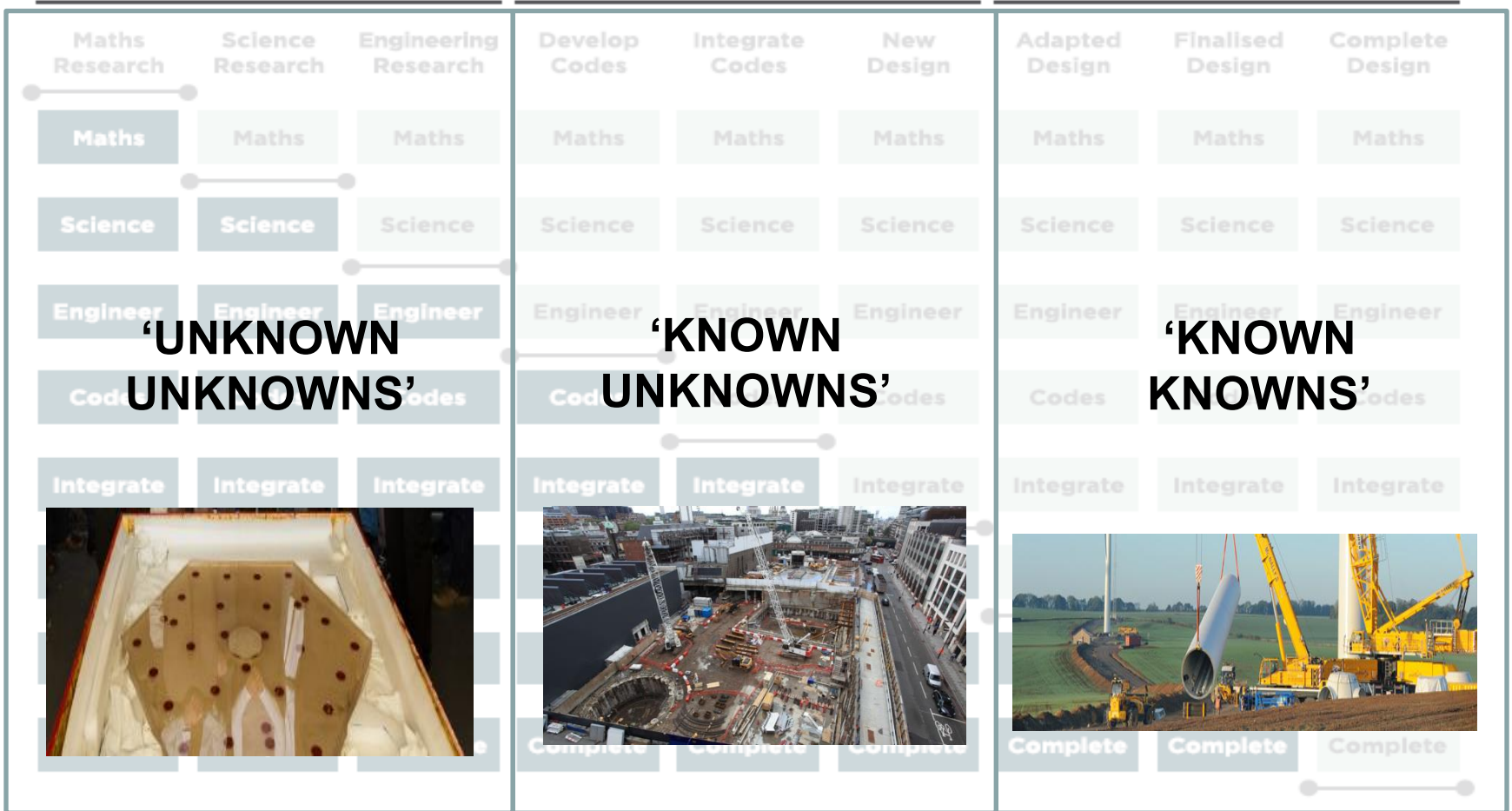
Consultant



RESEARCH

CODES & STANDARDS

EXISTING DESIGNS



= Customised Activity



= Standard Activity



= Client Penetration Point



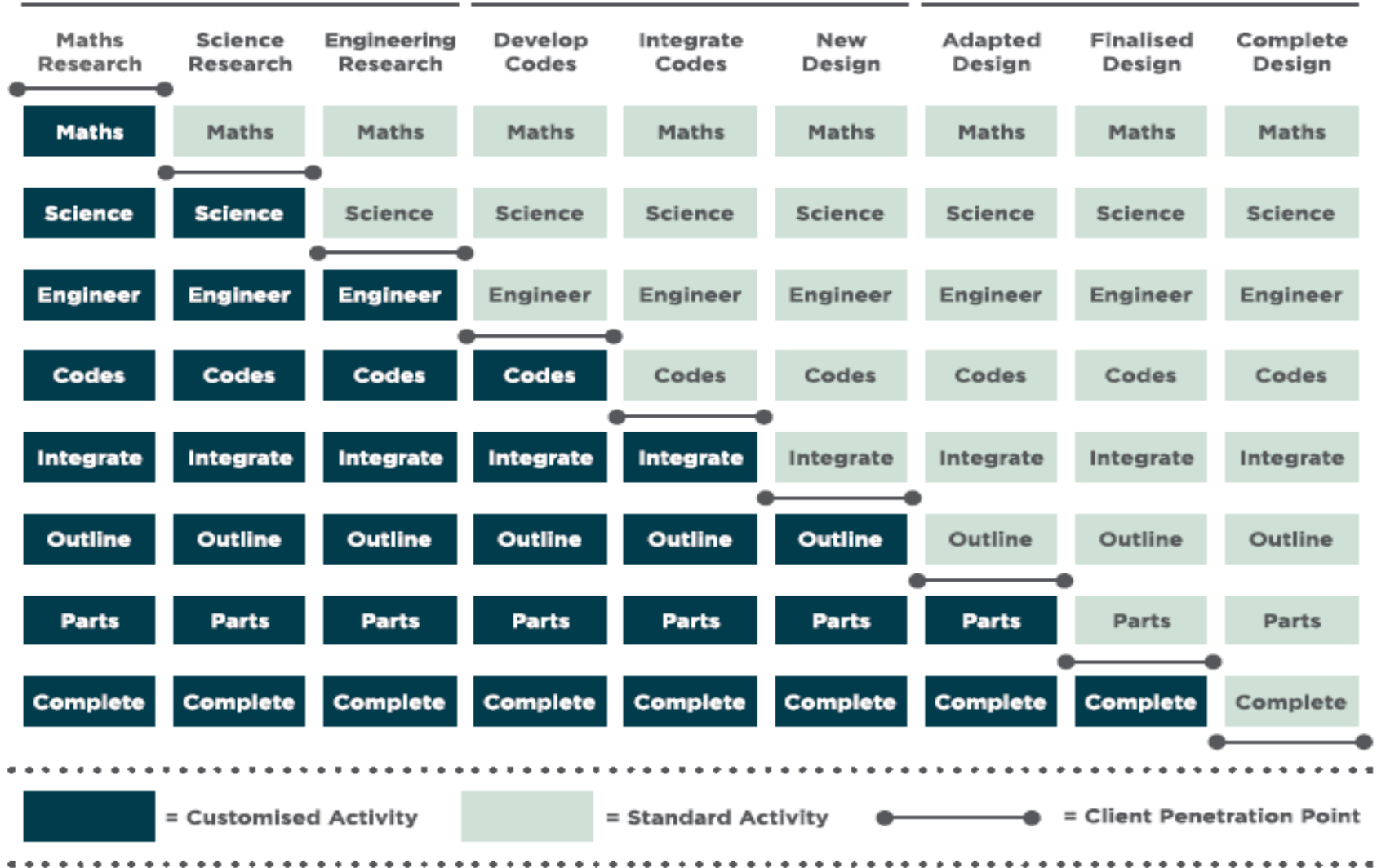
RESEARCH



CODES & STANDARDS



EXISTING DESIGNS



Aligning Governance Forms and Procurement Choices

Variations in Contract Mechanisms

- Fixed Price Lump Sum (NEC A & B)
- Target Cost / Pain-Gain (NEC C & D)
- Cost / Time Re-imbursement (NEC E)

Transactional

Relationship
Collaborative

Intimate

Cost/Time
Re-imbursement

Contract
Target/Pain-Gain

Priced/FPLS

Employer

Allocation of Risk

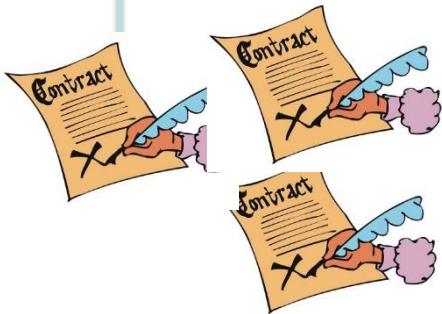
Contractor

Existing Design
Subclasses

Codes/Standards Subclasses

Research
Subclasses

Engineering Category



Relationship

Transactional

Collaborative

Intimate

**Cost/Time
Re-imbursement**

Target/Pain-Gain

Priced/FPLS

Employer

Allocation of Risk

Contractor

		<ul style="list-style-type: none"> • Bridge (G) • Electrification (O)
	<ul style="list-style-type: none"> • Motorway Improvement Scheme (A) • Smart Motorways Programme (B) • Viaduct (F) • Station Upgrade (J) • Tunnelling Contract (K) 	
<ul style="list-style-type: none"> • Aggregates and materials (C) • Wind energy towers (L) • Bebo Bridge (H) 	<ul style="list-style-type: none"> • Bridge (G) • Viaduct (D) • Viaduct (E) • Station Upgrade (I) 	<ul style="list-style-type: none"> • Intelligent Concrete (M) • Scientific Equipment (N)

Existing Design Subclasses

Codes/Standards Subclasses

Research Subclasses

Engineering Category

Relationship

Transactional

Collaborative

Intimate

**Cost/Time
Re-imbursement**

Contract

Target/Pain-Gain

Priced/FPLS

Employer

Allocation of Risk

Contractor

Likely part of strategic partner or category management initiative (Cases C, L, H)

ECI, Collaborative Frameworks, Innovation Programmes, training programmes, Support I.T systems, Information sharing arrangements (Cases A, B F, J, K)

ECI, Colocation or Partnering Charters (Cases D, E, I)

Industry – Academia, Colocation, business park, entrepreneurial support systems (Cases M, N)

Early Engagement Workshops, Crisis Management (Cases G, O,)

Existing Design Subclasses

Codes/Standards Subclasses

Research Subclasses

Engineering Category

Embedding Good Contracting Processes

Embedding Practice within Project Management and Strategic Initiatives

Collaborative Delivery Framework Inform

HIGHWAYS AGENCY
INVESTMENT CONTROL FRAMEWORK (ICF)

NEC3 Framework Contract (April 2013)
March 2014 volume 2

The project control framework
Handbook

Highways Agency
Procurement Strategy 2009

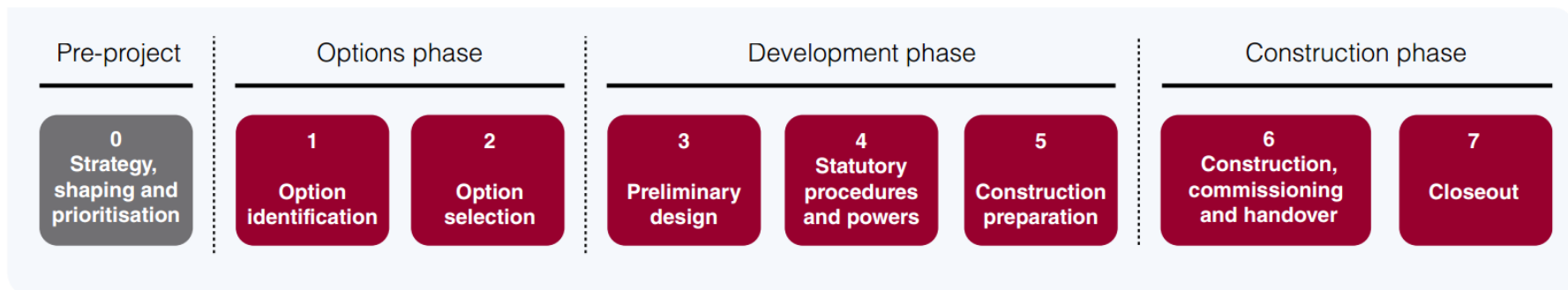
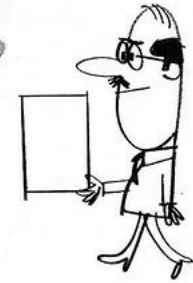


Figure 3: Major Projects lifecycle

“ More effective reviews of contracts...is something I would like to see much more widely across the industry ”

Client

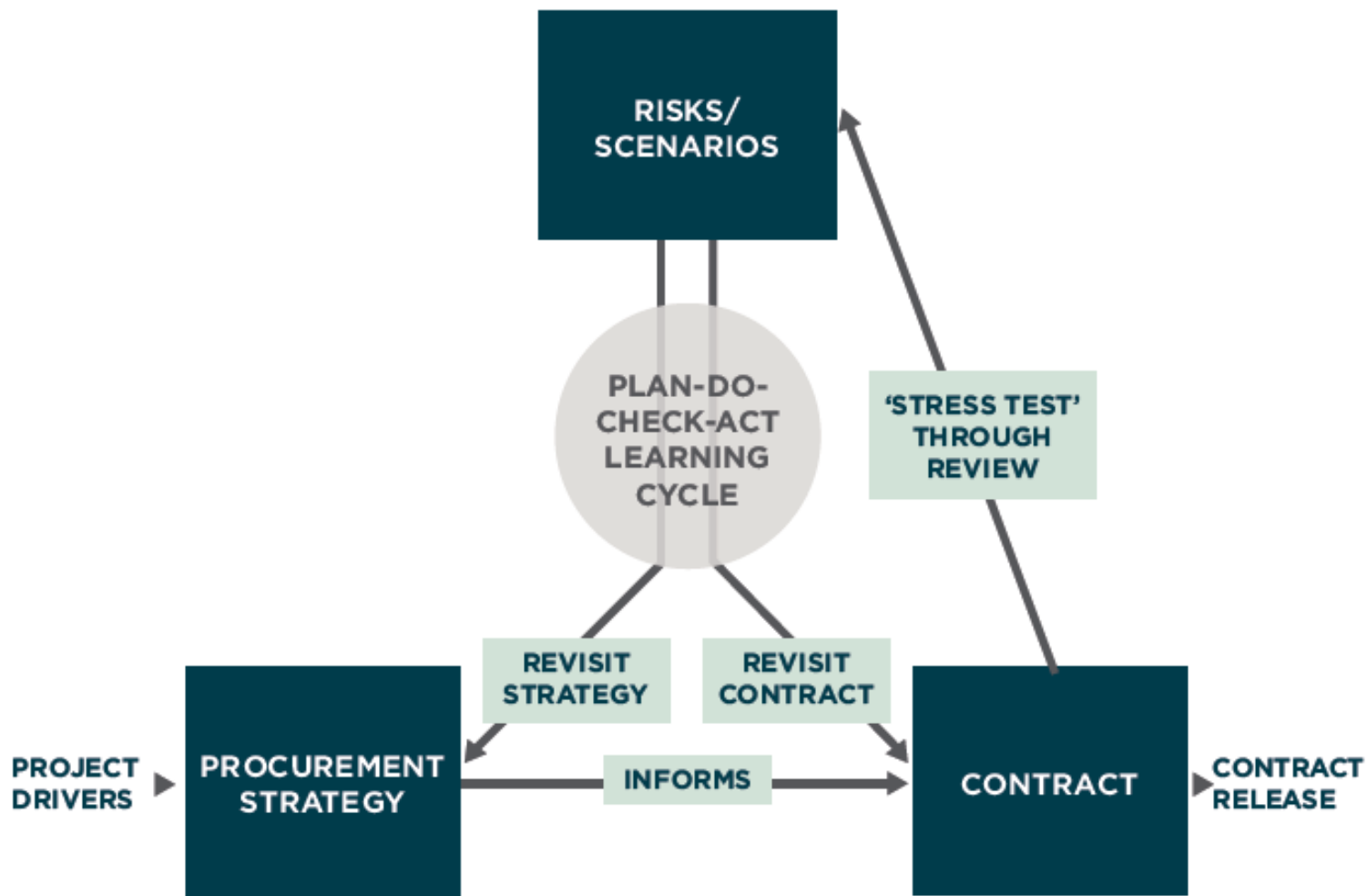


THE CLIENT



“ Many scoring systems are used, but nothing seems to score the effectiveness of a contract or contract framework ”

Subcontractor



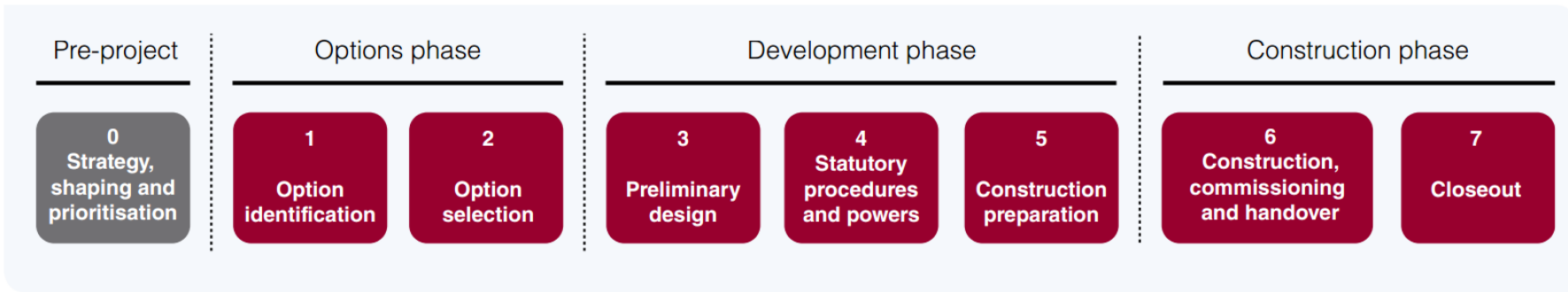
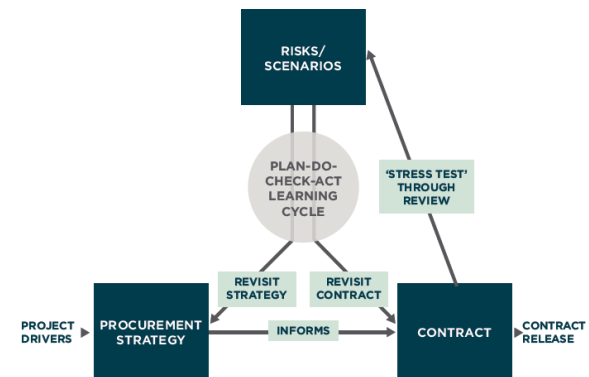
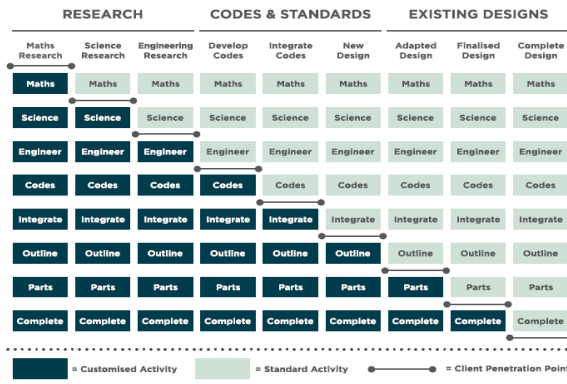


Figure 3: Major Projects lifecycle



Procurement choices and contracting processes checklist

- What type of work are we procuring? How much uniqueness? Where are the engagement points?
- How do we align relational and contractual mechanisms with the type of work?
- Can we embed more robust processes into our project management and strategy documentation?

Many Thanks for Listening and Participating

Please feel free to take away a hard copy of 'the principles', or get in touch if you are interested in the ideas presented

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